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Report of the Advisory Committee on Administrative and Budgetary Questions on biennial budget estimates 2004-2005

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Administrator on the biennial budget estimates for the United Nations Development Programme for the biennium 2004-2005 (DP/2003/28). During its consideration of the item, the Advisory Committee met with the Administrator and his representatives, who provided additional information.

Format and presentation

2. The Advisory Committee notes the improvements in the budget document in response to its prior recommendations (see DP/2001/24, paragraphs 2 and 3). The document has been shortened and the proposals are presented in a more transparent manner. The Committee requests that in the future, at the time of its examination of the estimates, it should be provided with an organizational chart that includes the number of posts in each unit at Headquarters and in the field.

3. As it has done with other Funds and Programmes, the Advisory Committee requests that UNDP include a separate annex in its future budget documents, indicating actions taken to implement recommendations of the Committee, as approved by the Executive Board.

4. The Advisory Committee was informed that in 2004, UNDP would begin a new multi-year planning period covering the years 2004 through 2007, with the 2004-2005 support budget being an integral part of the 2004-2007 multi-year funding framework (MYFF). The MYFF is currently being finalized and its overall strategies and those of the support budget have been developed

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simultaneously. The biennial support budget for 2004-2005 covers the structural requirements of the organization during the first half of the planning period, and the MYFF presents the overall substantive priorities and related frameworks which are in turn linked to the overall management strategy of UNDP. The overriding objective of the strategy is to align UNDP fully behind the goals of the reform agenda of the United Nations Secretary-General.

5. The Advisory Committee notes that the key themes of the UNDP biennial support budget for 2004-2005 are: "(a) partnering within and external to the United Nations system; (b) knowledge and learning to enhance UNDP capacity to support national development goals; and (c) efficiency, performance and results orientation. In addition, a special focus will be given to crisis prevention and recovery" (DP/2003/28, paragraph 7).

Resources

6. The Advisory Committee was informed that, in response to the reforms implemented by UNDP, the declining trend in regular resources has been reversed with projections for 2003 amounting to $750 million from the low point of $630 million in 2000. Regular resources for 2004 and 2005 are projected at $800 million and $900 million, respectively. The Committee notes from table 1 of document DP/2003/28 that regular resources projection of $1 700 million for 2004-2005 remains at the same level as for 2002-2003, while contributions from donors to other resources increase from $1 329.5 million for 2002-2003 to $1 807.0 million for 2004-2005, or 35.9 per cent. The Committee also notes that other resources provided by host governments (i.e., Government cost sharing) also increase from $2 002.8 million for 2002-2003 to $2 100.0 million for 2004-2005, or 4.9 per cent. Thus, total contributions to UNDP would increase from $5 032.3 million for 2002-2003 to $5 607.0, or 11.4 per cent (see DP/2003/28, table 1). **In this connection, the Advisory Committee recalls paragraphs 12 and 13 of its report DP/2001/24, in which the Committee indicated, inter alia, that the expansion in UNDP non-core resources needed to be managed in a way that does not obscure the role of UNDP as the development programme of the United Nations system.**

7. The Advisory Committee notes from paragraph 130-134 of document DP/2003/28 that an integral part of the 2004-2005 budget strategy is a revised cost recovery for UNDP services to: (a) other resource-funded programmes; (b) the United Nations system at the country level; and (c) services to certain United Nations entities at the headquarters level. The Committee was informed that UNDP seeks progressively to achieve a better balance between the contributions of regular and other resources to the cost of UNDP operations with the implementation of a revised cost recovery policy, and that related to the revised policy is the concept of a base structure for headquarters and country offices that needs to be funded from regular resources, with costs over and above the base structure to be proportionally shared between regular and other resources.

8. The Advisory Committee notes from paragraphs 30 and 46 of document DP/2003/28 that, in preparation for the next biennial support budget covering the period 2006-2007, UNDP intends "a review and classification of activities that are most appropriately charged to programme resources and to other resources income so as to reflect a more realistic level of overhead costs in the regular support budget"...and "consult with the ACABQ and the Executive Board over the next

two years to reach a common understanding on cost definitions and classifications with the aim of reflecting a rationalized approach in the next regular support budget for 2006/2007." The Advisory Committee will revert to this matter in the light of the proposals of the Administrator of UNDP.

II. Biennial support budget for 2004-2005

9. Table 3 of document DP/2003/28 shows that the proposed support budget for 2004-2005 amounts to $645.5 million (gross), reflecting an increase of $78.6 million, as compared with support budget estimates for 2002-2003 amounting to $566.9 million (gross). After taking into account projected income to the proposed support budget for 2004-2005 of $70.3 million, the net proposed support budget for 2004-2005 amounts to $575.2 million, reflecting an increase of $72.6 million, as compared to net support budget estimates for 2002-2003 of $502.6 million, based on a projected income to the support budget for 2002-2003 of $64.3 million. The summary of main areas of increase/decrease are shown in table 2 of document DP/2003/28 and explained in paragraphs 32-38 of that budget document. The Committee was informed that the biennial budget proposed for 2004-2005 should be viewed in the context of consecutive budget cuts implemented since the 1992-1993 biennium. During this period, UNDP implemented zero nominal growth budgets, with one reprieve for a zero real growth budget for the period 1998-1999 (see also DP/2003/28, figure 6).

10. As indicated in tables 4 and 5 of document DP/2003/28, the total number of proposed posts for 2004-2005 is 3306 posts (617 International Professional, 617 National Professional and 2072 General Service and other categories of staff), reflecting a net reduction of 16 posts (an increase of 41 International Professional and 84 National Professional and a decrease of 141 General Service and other categories of staff), as compared with the approved posts for 2002-2003 of 3322 (576 International Professional, 533 National Professional and 2213 General Service and other categories of staff). For 2004-2005, 81.1 per cent of the total number of posts is proposed for country offices, 12.9 per cent is proposed for headquarters, 5.9 per cent for the United Nations Volunteers (UNV) and 0.1 per cent for the Inter-Agency Procurement Service Office (IAPSO).

11. The Advisory Committee notes from summary table 4 and paragraphs 37-38 of document DP/2003/28 that the net reduction of 16 posts proposed for 2004-2005 include the following changes:

(a) A net increase of 32 internationally recruited posts, comprising: two D-1, four P-5, six P-4, 19 P-3 and one P-2;

(b) A net decrease of two locally recruited posts at headquarters; and

(c) A net decrease of 46 local posts at the country level, comprising a decrease of 130 General Service posts and an increase of 84 National Professional posts.

12. The UNDP structure and related senior level posts is addressed in paragraphs 49-55 and shown in detail in summary table 4 of document DP/2003/28. The proposals for 2004-2005 include 39 net reclassifications of international posts, including 22 reclassifications at the D-2 and D-1 levels.

13. The Committee was provided with a list of senior posts being proposed for reclassification to the D-2 and D-1 levels (see annex I to this report). In the field, two posts would be upgraded to the D-2 and 18 posts to the D-1 level, most relating to the resident coordinator/resident representative and deputy resident representative categories. At headquarters, two posts are proposed for reclassification to the D-2 level for the post of Director, Office of the Administrator, and the Director, Programme of Assistance to the Palestinian People; and three posts are proposed for reclassification to the D-1 level for the Director, Liaison Office in Tokyo, the Director, Administration of the United Nations Volunteers in Bonn and the Division Director, North East Asia Division, Regional Bureaus of Asia and the Pacific.

14. For headquarters, one additional D-1 post is proposed for the Director of the Millennium Development Goals (MDG) Coordination Office, Bureau of Resources and Strategic Partnerships.

15. **The Advisory Committee has expressed concern in the past about proposals for upward reclassification of posts of Funds and Programmes of the United Nations, particularly to the D-1 and D-2 levels, stating that they must be as the result of significant changes in the level and scope of responsibility of the posts. The Committee recommends that the Executive Board should bear this in mind during its review of the UNDP proposals for upward reclassifications of post to the D-1 and D-2 levels at Headquarters and in the field.**

16. The Advisory Committee notes that the Emergency Response Division was upgraded in November 2001 to become the Bureau for Crisis Prevention and Recovery. Currently the Bureau has six positions funded from the regular support budget. Fifteen positions funded from other resources are proposed to be funded from the regular support budget for 2004-2005, thus providing the Bureau with a basic infrastructure of 21 posts (DP/2003/28, paragraphs 53 and 80). For the Geneva based operations, the Committee was informed that a new post at the D-1 level was requested for the Deputy Director of the Bureau. For the reasons given in the report (DP/2003/28, paragraphs 77-81) and taking into account its past observations on emergency response (DP/2001/24, paragraphs 39-40), **the Committee recommends acceptance of the proposals of the Administrator.**

17. The Advisory Committee notes from paragraph 80 of document DP/2003/28 that the Administrator proposes the establishment of an Assistant-Secretary-General post under the regular support budget for the Director of the Bureau for Crisis Prevention and Recovery. The Committee recalls from the exchange of correspondence with the Administrator in November 2001 that the position was established in November 2001 at the level of Assistant Administrator for the Director of the Bureau for Crisis Prevention and Recovery to be funded from extrabudgetary resources in 2002-2003 and to be reviewed in the context of the budget estimates for 2004-2005. **The Committee interposes no objection to the proposal of the Administrator to establish a post at the Assistant Secretary-General level for Assistant Administrator and Director of the Bureau for Crises Prevention and Recovery in the regular support budget for 2004-2005.**

Information and communications technology

18. Proposed ICT activities are discussed in paragraphs 124-129 of document DP/2003/28. The total amount proposed for ICT investment in 2004-2005 amounts to $37.6 million under the regular support budget (DP/2003/28, table 10). The Advisory Committee was informed that process re-engineering and the maximum utilization of information and communication technology would continue to be key management priorities. The implementation of the Enterprise Resource Planning (ERP) system during 2004-2005 would enable UNDP to further rationalize the different tiers of management and operations in UNDP between corporate, regional and country levels. The Committee was provided with a detailed plan of ICT activities to be implemented in 2004-2005 (see annex II to this report).

III. Biennial support budget for 2004-2005 of funds administered by UNDP

19. The report of the Administrator includes the biennial support budget of two Funds administered by UNDP and which the Executive Board approves separately, namely the United Nations Capital Development Fund (UNCDF) and the United Nations Development Fund for Women (UNIFEM) (DP/2003/28, paragraphs 138-149). The budget estimates of these two Funds are presented in line with the harmonization of budgets and follow the same terminology as the UNDP support budget.

United Nations Capital Development Fund

20. The UNCDF resource plan for the period 2004-2005 is provided in table 11 of document DP/2003/28. Income projections for 2004-2005 for both regular and other resources amounts to $83 million, as compared with a projected income level of $71.0 million for 2002-2003. The Committee was informed that the income projections for 2004-2005 reflect a positive trend in other resources mobilization, estimated at $20 million for 2004-2005, as compared to $5.0 million for 2002-2003. The proposed biennial support budget of UNCDF for 2004-2005 amounts to $14.4 million, as compared with the approved biennial support budget for 2002-2003 of $13.6 million.

21. The proposed distribution of posts is shown in summary table 7(b). The biennial support budget for 2004-2005 provides for a total of 32 posts, as compared with 38 posts for 2002-2003. The Committee was informed that streamlining of functions and improvements in efficiency allowed post reductions and cost containment; however, this reduction in real terms is offset by cost increases due to inflation projections and mandatory salary related increases for 2004-2005, resulting in an increase in the proposed budget for 2004-2005.

United Nations Development Fund for Women

22. The UNIFEM resource plan is shown in table 12 of the budget report. The Advisory Committee notes that the income projection for 2004-2005 for both regular and other resources amounts to $83.3 million, reflecting an increase of 7.9 per cent, as compared with a projected income level for both regular and other resources of $77.2 million for 2002-2003. The proposed biennial support budget of

UNIFEM for 2004-2005 amounts to $14.9 million, or 30.2 per cent of its income projection for regular resources for 2004-2005 of $49.4 million. For 2002-2003, the UNIFEM biennial support budget amounted to $12.3 million, or 27.3 per cent of the income projection for regular resources for 2002-2003 of $45.1 million. **The Committee recalls its observations in paragraph 56 of its report DP/2001/24 and notes with concern that although the regular resource projections of UNIFEM for 2004-2005 shows some increase (9.5 per cent), its support budget for 2004-2005 increases more than in proportion (21.1 per cent as compared to the budget for 2002-2003).** The Committee was informed that UNIFEM is currently undertaking a series of consultations with governments, United Nations and non-governmental organizations partners to finalize the strategy and plan of the Fund for 2004-2007 and will submit it for consideration to the Executive Board at the first regular session in January 2004.

Annex 1. 2004-2005 UNDP regular support budget

(Reclassifications and new posts: D-1 and D-2)

#	Grade	Title
Reclassifications		
1.	D-2	Resident Coordinator/Resident Representative, UNDP Iraq
2.	D-2	Resident Coordinator/Resident Representative, UNDP Tajikistan
3.	D-2	Director, Programme of Assistance to the Palestinian People (PAPP)
4.	D-2	Director, Office of the Administrator
1.	D-1	Country Director, UNDP Sudan
2.	D-1	Country Director, UNDP Somalia
3.	D-1	Senior Deputy Resident Representative, UNDP Afghanistan
4.	D-1	Country Director, UNDP Indonesia
5.	D-1	Resident Coordinator/Resident Representative, UNDP Mongolia
6.	D-1	Resident Coordinator/Resident Representative, UNDP Papua New Guinea
7.	D-1	Senior Deputy Resident Representative, UNDP Bangladesh
8.	D-1	Resident Coordinator/Resident Representative, UNDP Democratic Republic of Korea
9.	D-1	Resident Coordinator/Resident Representative, UNDP Costa Rica
10.	D-1	Resident Coordinator/Resident Representative, UNDP Dominican Republic
11.	D-1	Resident Coordinator/Resident Representative, UNDP Guyana
12.	D-1	Resident Coordinator/Resident Representative, UNDP Panama
13.	D-1	Resident Coordinator/Resident Representative, UNDP Paraguay
14.	D-1	Resident Coordinator/Resident Representative, UNDP Uruguay
15.	D-1	Senior Deputy Resident Representative, UNDP Colombia
16.	D-1	Senior Deputy Resident Representative, UNDP Guatemala
17.	D-1	Resident Coordinator/Resident Representative, UNDP Equatorial Guinea
18.	D-1	Resident Coordinator/Resident Representative, UNDP Albania
19.	D-1	Resident Coordinator/Resident Representative, UNDP Kosovo
20.	D-1	Director, Liaison Office, Tokyo, Japan
21.	D-1	Director, Administration, UNV Bonn
22.	D-1	Division Director, North East Asia Division, Regional Bureau of Asia & Pacific
New posts		
1.	D-1	Deputy Director, Geneva based operations, Bureau of Crisis Prevention & Recovery
2.	D-1	Director, MDG Coordination office, Bureau of Resources & Strategic Partnerships

Annex 2. Information and communication technology 2004-2005

Description	Cost distribution	Time frame (months)	Resource estimates (thousands of United States dollars)
Software applications: transactional and business decision support UNDP embarked on a significant software change to address the identified inadequacies of custom-built transactional software – limited access to timely management information, poor data quality, expensive to maintain and operate. In 2004, UNDP in conjunction with UNOPS, UNFPA and other United Nations Agencies will implement an ERP solution, PeopleSoft, to cover the functionalities that existed in previous systems – the Integrated Management Information System (IMIS) for corporate finance and human resource management, Country Office Suite for the country offices, the Programme Financial Management System (PFMS) and the Financial Information Management System (FIMS) for funds management. As a result of this implementation, UNDP and its partners will perform their transactions in one system accessible from UNDP headquarters, country offices and other partners' offices around the world. Experience shows that the initial years will be devoted towards the implementation and stabilization efforts, followed by improved access to key strategic information for management decision and analysis in the substantive practice areas of UNDP.			
IMIS – finance and human resource releases ▪ Reduce support in 2004 to sustain operational needs – year-end closing, payroll and travel. IMIS itself will be migrated to version 6 (web version) to allow for continued payroll service prior to its final retirement in August 2004 when the ERP is fully deployed. ▪ Migrate from IMIS to PeopleSoft. ▪ Phase-out of UN ITSD production support to IMIS.	Personnel Software and hardware Service contracts Miscellaneous operating expenses	24	601 59
Total			**660**

Description	Cost distribution	Time frame (months)	Resource estimates (thousands of United States dollars)
Country Office Suite, PFMS, FIMS			
• Reduce operational support in 2004 to ensure final transition to ERP by country offices prior to final retirement in June 2004.	Personnel		424
	Software and hardware		
• Modify and enhance parts of Country Office Suite to provide fail-over strategy for ERP.	Service contracts	24	
	Miscellaneous operating expenses		
Total			**424**
Portal and Web Services			
	Personnel		723
• Integrate qualitative portal as a content management tool with the quantitative portal as a nexus for all reporting, self service, and donor information access.	Software and hardware		683
	Service contracts		488
• Deploy centrally managed portal mirroring installations to all country offices to ensure rapid localized access to corporate data and content.	Miscellaneous operating expenses	24	16
• Incorporate ERP tools into all staff members' working lives.			
Total			**1 910**

Description	Cost distribution	Time frame (months)	Resource estimates (thousands of United States dollars)
Corporate reporting and interfaces • Reduce support in 2004 to sustain operational needs – year-end closing, payroll and travel. Phase expected to correspond to the time frame of IMIS and country office phase-out. • Strengthen ERP-based reporting tools and user skills in generating self-defined reports.	Personnel Software and hardware Service contracts Miscellaneous operating expenses	24	271
Total			**271**
RIM support to country offices Following "go live" of PeopleSoft ERP, Wave 1 Regional Information Manager (RIM) centres are expected to: • Assist country offices faced with unavoidable, country-driven emergency situations that prevent access or disrupt normal business activities • Support ERP Waves 2 & 3 implementation based on actual business needs of country offices and UN agency partners • Serve as regional ICT leadership centres to ensure consistent, integrated deployment of all areas of ICT user support and knowledge sharing across all UNDP offices • Influence corporate ICT Strategy initiatives to meet 2004-2005 Business Plan needs by leveraging existing and emerging technologies	Personnel Software and hardware Service contracts Miscellaneous operating expenses	24	2 927 556 857
Total			**4 340**

Description	Cost distribution	Time frame (months)	Resource estimates (thousands of United States dollars)
ERP project			
• Support the transition of remaining locations to PeopleSoft. In 2004, the initiative will change from the 'big bang' of implementing Wave 1 of PeopleSoft on 1/1/04 in a large number of locations to the subsequent preparatory work for Waves 2 and 3, which are to bring in International payroll and commitment control	Personnel	24	2 069
	Software and hardware		2 154
	Service contracts		9 487
	Miscellaneous operating expenses		30
• ERP training of trainers/end-user training for Wave II & Wave III			
• Business process simplification through adopti0on of international best practices			
• Develop the remaining operational reports and some analytical reports			
• Engage outsourced PeopleSoft production vendor to provide PeopleSoft access to HQ and COs, and monitor service-level compliance			
• Modify cumbersome workflows and improve the quality of operational and analytical reports as a result of improved knowledge of the PeopleSoft experience and effective knowledge-management solutions to both programme and administrative processes in 2005			
• Strengthen help-desk services to '24/7' levels			
• Review and monitor PeopleSoft applications performance and access			
Total			**13 740**

Description	Cost distribution	Time frame (months)	Resource estimates (thousands of United States dollars)
Technology infrastructure A key component of the UNDP ICT strategy is technology and communications infrastructure. With the PeopleSoft Wave 1 implementation on 1/1/04, the adequacy of HQ and CO connectivity for PeopleSoft access is a critical success factor. Building on the minimum 64Kbps connectivity standard that arose from the July 2000 Executive Team decision, many of the COs would need to considerably increase their connectivity capacity. Network security in all UNDP offices is an important concern, and special attention will be given to protect UNDP LAN, desktop and computing environments. Secure, reliable and responsive access to PeopleSoft will underpin the ICT effort and focus of UNDP. The consideration of adopting a workgroup collaboration system, encompassing shared information and knowledge management, to replace or supplement the existing messaging system will be initiated in 2004-20055.			
Telecommunications ▪ Review and monitor PeopleSoft access on CO bandwidth utilization ▪ Upgrade of bandwidth and connectivity performance to COs	Personnel Software and hardware Service contracts Miscellaneous operating expenses	24	939 155 1 549
Total			**2 643**
LAN, desktop, office automation, Internet ▪ Replace Token Ring on rest of HQ floors ▪ Assist COs in upgrading LANs and network security ▪ Enhance CO LAN security through outsourcing managed network security ▪ Enhance HQ LAN connectivity to the Internet and its security	Personnel Software and hardware Service contracts Miscellaneous operating expenses	24	3 520 1 530 1 990
Total			**7 040**

Description	Cost distribution	Time frame (months)	Resource estimates (thousands of United States dollars)
Email/messaging			
▪ Support and operation of existing corporate messaging systems at HQ and all COs.	Personnel	24	744
	Software and hardware		
▪ Define new messaging and collaboration strategy.	Service contracts		216
▪ Assess and initiate workgroup collaboration systems to replace or enhance present SunOne messaging system.	Miscellaneous operating expenses		
Total			**960**
Production support operations			
▪ Phase out Sybase support expertise	Personnel	24	1 221
▪ Build up PeopleSoft production support expertise	Software and hardware		801
▪ Adopt Oracle RDBMS as the basis for PeopleSoft operations	Service contracts		792
▪ Provide support to ongoing production databases	Miscellaneous operating expenses		
▪ Manage outsourced PeopleSoft production environment			
Total			**2 814**

Description	Cost distribution	Time frame (months)	Resource estimates (thousands of United States dollars)
Directorate operations			
• Provide ongoing support to ICT technology programme and ongoing implementation/revision of ICT strategic direction	Personnel	24	1 709
	Software and hardware		60
• Refine continually and promulgate ICT standards	Service contracts		346
• Formulate new standards to cover ICT operations, ICT procurement and vendor management and ICT 'balanced scorecard'	Miscellaneous operating expenses		656
• Facilitate the project management of all non-ERP related projects approved and funded by either the Decision Group or the business sponsor			
• Provide ICT project management training and support to OIST and other UNDP business units			
• Provide ongoing oversight of HQ ICT procurement efforts			
Total			**2 771**
	Personnel		15 148
	Software and hardware		5 383
	Service contracts		15 483
	Miscellaneous operating expenses		1 559
Grand total			**37 573**